

Message Text

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ACTION AGR-08

INFO OCT-01 EUR-12 ISO-00 AGRE-00 IO-13 AID-05 CEA-01

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01

SP-02 STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01

DODE-00 PM-04 H-02 L-03 NSC-05 PA-01 PRS-01 SS-15

USIA-06 HEW-04 /112 W

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R 101133Z SEP 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 4811

INFO ALL EC CAPITALS 0181

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DEPT PASS AGRICULTURE FROM AGRICULTURAL ATTACHE

E.O. 11652: N/A

TAGS: EAGR,FR,EC, ECON

SUBJECT: DROUGHT BILL ERODES SUPPORT FOR AGRICULTURE
IN FRANCE

REF: PARIS 24855; TOFAS 271

BEGIN SUMMARY. NEW DATE FOR DROUGHT PLAN AND ANTI-
INFLATION PLAN COMBINED WITH PRESENTATION OF 1977 BUDGET
IS SEPTEMBER 22. ESTIMATES OF TOTAL DROUGHT DAMAGE RANGE
FROM 8 TO 25 BILLION FRANCS. WE EXPECT A FINAL
ASSISTANCE PACKAGE OF 8 TO 10 BILLION TO BE FINANCED
BY WIDE RANGE OF TAXES. DEBATE OVER DROUGHT HAS PUT INTO
QUESTION AGRICULTURAL POLICIES. INTENSIFIED POLITICAL
DISCORD AND FARMER UNREST LIKELY TO FOLLOW PLAN ANNOUNCE-
MENT. END SUMMARY.

1. RAYMOND BARRE HAS DECIDED TO MAKE KNOWN BOTH HIS AN-
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TI-INFLATION PLAN AND IMPORTANT INTER-RELATED DROUGHT

ASSISTANCE PLAN ON SEPTEMBER 22. PREVIOUS TIMETABLE HAD CALLED FOR DROUGHT "STOCK-TAKING" ON SEPTEMBER 29 AND ANNOUNCEMENT OF THE "PLAN BARRE" ON OCTOBER 4 OR 5. NEW COMBINED RELEASE DATE FOR THESE PLANS MAY BE PARTIALLY DESIGNED TO REDUCE DROUGHT ASSISTANCE AS SEPARATE ISSUE. BARRE HAS HAD LONG SERIES OF MEETINGS WITH UNION LEADERS INCLUDING ANDRE BERGERON (FO), YVAN CHARPENTIE (CGC), AND GEORGES SEGUY (CGT), WITH FNSEA (YOUNG FARMERS' ORGANIZATION), LEADERS OF CHAMBERS OF AGRICULTURE, AND WITH INDUSTRIAL LEADERS. INTER-RELATION OF TWO PLANS IS EMPHASIZED BY PATRONAT'S (FRENCH NAM) STATEMENT THAT DROUGHT HAD DASHED HOPES FOR HOLDING INFLATION TO 10 PERCENT.

2. ANTI-DROUGHT PACKAGE WHICH BARRE WILL ANNOUNCE WILL ALMOST CERTAINLY STIR UP EVEN MORE CONTROVERSY THAN AUGUST 25 MEASURES CONCERNING 2.2 BILLION FRANCS AID TO CATTLEMEN. FIRST PROBLEM WILL BE FIXING TOTAL AMOUNT OF LOSSES. FIGURES WHICH HAVE BEEN PROPOSED COVER WIDE RANGE FROM 8 BILLION FRANCS (COMPARING AGRICULTURAL RESULTS WITH POOR 1975 YEAR), 15 BILLION FRANCS (COMPARING WITH 1968-72 AVERAGE), AND EVEN 25 BILLION FRANCS (COMPARING WITH ANTICIPATED OPTIMUM PRODUCTION FORECAST AT START OF 1976).

3. ONCE A FIGURE IS SET BOTH ITS LEVEL AND REPARTITION AMONG FARMERS WILL BE CONTROVERSIAL. SUGAR BEET AND VEGETABLE PRODUCERS, TO MENTION BUT TWO GROUPS, HAVE ALREADY PROTESTED THAT THEY HAVE NOT YET RECEIVED ASSISTANCE. CATTLE PRODUCERS WHO HAVE RECEIVED LOWER THAN OPTIMUM ASSISTANCE OF 200 FRANCS PER COW HAVE PROTESTED AND DEMONSTRATED IN MANY REGIONS AGAINST WHAT THEY TERM AS "POLITICAL" APPORTIONMENT OF AID. ON THE LEFT, ASSISTANCE PROPOSED FOR CATTLEMEN HAS ALREADY BEEN ATTACKED AS UNJUST SINCE IT DOES NOT PROVIDE MORE AID TO POOR FARMERS THAN TO ONES WITH LARGER HOLDINGS.

4. EVEN MORE DIFFICULT WILL BE RESOLUTION OF QUESTION OF WHO WILL PAY. GOF HAS ALREADY GIVEN INDICATIONS THAT IT WILL REJECT PLANS FOR DIRECT FINANCING OF DROUGHT LIMITED OFFICIAL USE

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ASSISTANCE FROM BUDGET ADDITIONS BECAUSE OF FEAR OF STIMULATING INFLATIONARY PRESSURE. IT HAS DECLARED ITS INTENTIONS TO RAISE ASSISTANCE THROUGH DIRECT TAXATION. PROPOSALS FOR RAISING THE 2.2 BILLION FRANC PACKAGE THROUGH A TAX ON INCOMES OF THE "CADRES" (THOSE RECEIVING ABOVE 5,000 FRANCS MONTHLY SALARIES) RAISED A STORM OF PROTEST THAT SALARIED WORKERS WERE GOING TO BE SINGLED OUT. CGC (CADRES) PROTESTED BITTERLY WHILE

WORKERS' UNIONS CALLED FOR WRINGING MONEY OUT OF THE RICH, THE "SPECULATORS", BIG INTERNATIONAL AND AGRO-INDUSTRIAL COMPANIES, AND FROM COMPANIES WHICH BENEFITED FROM DROUGHT (BREWERIES, SOFT DRINKS, ETC.)

5. PERHAPS OF EVEN MORE INTEREST, WAS APPEARANCE OF CRACKS IN UNQUESTIONING SUPPORT WHICH AGRICULTURE HAS RECEIVED IN FRANCE. FOCUS ON HIGHLY VISIBLE TAX QUESTION WAS CATALYST. SOME UNIONS PUBLICLY QUESTIONED

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WHY SALARIED WORKERS SHOULD BE CALLED ON TO SUBSIDIZE FARMERS WHOSE NET WORTH FAR EXCEEDED THEIRS - AND THEY ALSO QUESTIONED AID WITHOUT REFERENCE TO RELATIVE WEALTH OF FARMERS. THESE ARE DELICATE ISSUES AND CHAMBERS OF AGRICULTURE AND FNSEA QUICKLY REACTED WITH STATEMENTS CONCERNING IMPORTANCE OF SEEKING TAX SOLUTIONS WHICH WOULD NOT ERODE SOLIDARITY OF FRENCHMEN WITH FARMERS.

FNSEA LAUNCHED CAMPAIGN OF PUBLICITY TO ELICIT SUPPORT OF PUBLIC. JEAN FOURASTIE IN "LE FIGARO" WROTE A FRONT PAGE ARTICLE ENTITLED, "WHO PAYS, WHO RECEIVES, HOW MUCH?", WHICH ASTUTELY POINTED OUT THAT FREE MARKET SYSTEM ALLOWS PRICES TO RATION PRODUCTS AND SET REMUNERATION AND THAT THESE FLUCTUATIONS IN PRICE EVENTUALLY INDEMNIFIED FARMERS FOR SHORT CROPS. WHEN PRICES ARE FIXED, GOVERNMENT PROGRAMS OF ASSISTANCE ARE ONES TO FLUCTUATE - WITH ALL THE ATTENDANT PROBLEMS OF POLITICS, FINANCING, AND MEASUREMENT OF LOSSES AND ADMINISTRATION OF PLANS. IT IS CERTAINLY TOO EARLY TO PREDICT THAT LIMITED OFFICIAL USE

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CONSUMERISM WILL MUSHROOM IN FRANCE TO PROTEST WORKINGS OF AGRICULTURAL PRICE SYSTEM WHICH SETS FOOD PRICES AT HIGH LEVELS. QUESTIONS RAISED BY DROUGHT COULD HAVE FAR-REACHING IMPLICATIONS IN DOMESTIC PERCEPTIONS OF AGRICULTURAL POLICY, ALTHOUGH CAP STILL CORNERSTONE OF FRENCH AGRICULTURAL POLICY.

6. BARRE WILL BE SEVERELY TESTED ON SEPTEMBER 22. HE WILL LIKELY PRESENT AN AGRICULTURAL PLAN WHICH WILL REQUIRE A STRONG DEGREE OF PRAGMATISM AND COMPROMISE BY ALL ECONOMIC AND POLITICAL SECTORS OF FRANCE. WE BELIEVE ANY FINANCING OF AGRICULTURE WILL ENCOMPASS WIDE RANGE OF MEASURES DESIGNED TO LIMIT IMPACT ON ANY ONE GROUP, MAKING SURE AT THE SAME TIME THAT BURDEN IS VISIBLY SHARED BY ALL GROUPS; ALSO EC AID COULD EVENTUALLY BE PSYCHOLOGICALLY IMPORTANT. IF PLAN IS FINALLY ACCEPTED WITHOUT TOO-RADICAL CHANGE, IT WILL HAVE PROVED TO BE MASTERPIECE OF BALANCED WISDOM. ANYTHING SHORT OF THIS WILL PROVOKE CONSIDERABLE POLITICAL DISPUTE, PREDICTABLY ON IDEOLOGICAL GROUNDS, AND COULD LEAD TO MORE SERIOUS PROTESTS AND FARMER DISRUPTIONS.
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